

Responsibility and Transparency Act. I will also add some material to my statement on the details of that legislation.

These bills, Mr. Speaker, wait to be acted on by the Senate.

President Bush has also outlined a plan and many of his suggestions we need to look at. Those that cannot be implemented by SEC regulation we should act on.

I think that the rule of law requires that those CEOs who have committed malfeasance, who are no better than street thugs, should spend time in jail. Now that would send a real message. Those responsible for fraudulent strategies like the hypothetical ice cream manager I have talked about should end up in the slammer.

I am outraged by the corporate scandals that are causing so much pain to Americans. I've listened to fellow Iowans, who worked for the natural gas company that merged into Enron, tell me with tears in their eyes that most of their pensions were wiped out in the Enron collapse. Workers are taking it on the chin. WorldCom is laying off more than 17,000 people. Many more at other companies are legitimately worried.

Besides the workers and pensioners directly affected, almost 50% of Americans now invest in the stock market and some are looking at their lifetime investments become pennies in a matter of days. The stories of greedy executives who cut corners to make themselves a profit at the expense of everyone else are becoming a daily occurrence. This has become such a problem that the loss of faith of investors in the capital markets threatens our nation's security.

How did the capitalists threaten capitalism? For the CEOs, victory was measured in "profits" to boost stock prices to enable them to cash in options. It is clear that some CEOs over-aggressively pursued paper "profits," even if it meant cheating the investors who provided the capital. These CEOs used various strategies to cheat others. Let me simplify their executive self-dealing. Imagine the manager of an ice cream parlor (example courtesy of Paul Krugman, New York Times) who wants to get rich the easy way:

First there's the Enron strategy: The ice cream manager signs contracts to provide customers with an ice cream cone a day for the next thirty years. He deliberately underestimates the cost of providing each cone. This ice cream CEO then books all the projected profits on those future ice cream sales as part of this year's bottom line. Suddenly he appears to have a highly profitable business, and sells shares in his store at inflated prices.

Then there's the Dynegy strategy. Ice cream sales aren't profitable, but the ice cream manager convinces investors that they will be profitable in the future. He enters into a quiet agreement with another ice cream parlor down the street: each to buy hundreds of cones from the other every day. Or rather, pretends to buy—no need to go to the trouble of actually moving all those cones back and forth. The result is that this ice cream manager now appears to be a big player in the ice cream cone business world and sell shares at inflated prices.

And there's the Adelphia strategy. The ice cream scam artist signs contracts with cus-

tomers, and get investors to focus on the volume of contracts rather than their profitability. This time he doesn't engage in imaginary trades, he simply invests lots of imaginary customers. With his subscriber base growing so rapidly, analysts give his ice cream business high marks, and he sells shares at inflated prices.

Finally, there's the WorldCom strategy. Here the greedy ice cream manager doesn't create imaginary sales. He simply makes real costs disappear by pretending that operating expenses, like the cost of cream, sugar, and flavorings, are part of the price of the new refrigerator! So his unprofitable business looks like it is highly profitable and is borrowing money only to purchase new equipment. Once again, the ice cream executive sells his stock options at inflated prices.

Back in the Great Depression, Congress passed the Securities Exchange Act of 1933 and 1934 and created the SEC to enforce those laws. The results were protections like boards of directors, independent accounting firms to ensure that the numbers were correct and government regulators to supervise the rules. But the system still relied on trusting the competence of the directors, the integrity of the CEOs, the accuracy of the accountants, and the abilities of regulators.

It is clear that today that foundation of personal integrity has been eroded by the lure of huge personal profits.

Most corporations are honest, but the bad apples have severely damaged the reliability of the reported data upon which people make investment decisions. There is no question that the malfeasance of Arthur Andersen, the schemes of CEOs, and the ineptitude of the boards of insular directors of huge companies like Enron, Global Crossing, Xerox, Dynegy, and our second largest long distance carrier WorldCom, has spooked investors.

I have been concerned about the need to separate an accountant's consulting function from his auditing work for several years and supported former SEC Chairman Arthur Levitt on his proposal to do that two years ago.

What you ask, is Congress doing to help fix this serious problem? Well, my Committee has held numerous hearings on these scandals, even taking testimony under oath from these CEOs (most have taken the Fifth).

The House of Representatives has now passed two important pieces of legislation with bipartisan votes to address the security of retiree's pensions and to help secure the financial future of America's investors and employees.

First we passed the Pension Security Act (H.R. 3762). This bill:

Bars company insiders from selling the own stock during "blackout" periods when workers can't make changes to their 401(k)s.

Give workers new freedoms to sell their company stock within three years of receiving it in their 401(k) plan.

Fixed outdated federal rules that discourage employers from giving workers access to professional investment advice.

Empowers workers to hold company insiders accountable for abuses.

Requires that workers be notified 30 days before the start of any "blackout" period affecting their pensions.

Then we passed in the House, in a bipartisan manner, The Corporate and Auditing Accountability, Responsibility and Transparency

Act (H.R. 3763). This legislation works to end abuses like those made by Enron and Global Crossing. It strengthens corporate responsibility, reforms accounting oversight, and increases corporate disclosure. It will:

Restore confidence in accounting standards.
Increase corporate disclosure and responsibility.

Protect 401(k) plan participants.

Reduce analyst conflicts of interest.

These bills wait to be acted on by the Senate.

President Bush has also outlined a plan that Congress should act on such as requiring corporate CEO's to personally vouch for the veracity of their companies' financial disclosures, prohibiting CEO profit from false financial statements, setting up an independent accounting regulatory board and requiring accounting best practices, not simply minimum standards. Where these proposals can't be implemented by SEC regulation, Congress should act to do so.

Capitalism will survive this latest onslaught. It is clear, however, that government has a hand in making sure that the average investor gets information that isn't "cooked." Honesty is, ultimately, the best policy.

I also think that the rule of law requires that those CEOs who have committed malfeasance, who are no better than street thugs, should spend time in jail. Now that would send a real message to CEOs, CFOs, boards, and accountants in the future that these types of schemes will not be tolerated. Those responsible for fraudulent strategies, like the ice cream manager I hypothesized earlier in this letter, should end up in the slammer.

The SPEAKER pro tempore (Mrs. CAPITO). Under a previous order of the House, the gentlewoman from the District of Columbia (Ms. NORTON) is recognized for 5 minutes.

(Ms. NORTON addresssed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Minnesota (Mr. KENNEDY) is recognized for 5 minutes.

(Mr. KENNEDY of Minnesota addresssed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Ohio (Ms. KAPTUR) is recognized for 5 minutes.

(Ms. KAPTUR addresssed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

EQUITY IN FARM SUBSIDIES

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Michigan (Mr. SMITH) is recognized for 5 minutes.

Mr. SMITH of Michigan. Madam Speaker, today I rise to discuss the farm bill that will be up in full Committee on Appropriations tomorrow, and I suspect the plans are to bring